



Scottsdale Retail Market Analysis and Feasibility Study

**December 2005
City of Scottsdale
Economic Vitality Department**

Scottsdale Retail Market Analysis and Feasibility Study

December 2005

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TABLE OF CONTENTS

Executive Summary	5
Development Overview	6
Metro Phoenix	6
Scottsdale	6
Scottsdale Market Analysis	10
Demographic Overview	10
Employment Overview	11
Tourism Overview	13
Transportation and Traffic Overview	14
Economic Trends	16
Scottsdale Employment Overview	16
Job Growth vs. Labor Force & Population Growth	18
Building Permit Valuations	19
Assessed Valuations	20
Sales Tax Overview	21
Tourism Overview	23
Metro Area Retail Trends	24
Metro Phoenix Retail Inventory	24
Metro Phoenix Retail Rental Rates	24
Scottsdale Retail Centers	27
Retail Site Information	35

INDEX

Table 1 (Population and Growth Rates)	8
Table 2 (Median Household Income)	9
Table 3 (2005 Demographics)	10
Table 4 (Largest Employers in Scottsdale)	11
Table 5 (Scottsdale Assisted Corporate Locations)	12
Table 6 (Impact of Tourism)	13
Map 1 (2004 Traffic Volume)	15
Table 7 (Employment by Industry)	16
Table 8 (Average Unemployment Rates)	17
Chart 1 (Average Unemployment Rates)	17
Table 9 (Job Growth, Labor Force Growth, & Pop. Growth)	18
Table 10 (Value of Building Permits)	19
Table 11 (Change in Assessed Valuation)	20
Chart 2 (Change in Assessed Valuation)	20
Table 12 (Growth in Sales Tax Collections)	21
Table 13 (Total Sales Tax Collections)	22
Chart 3 (Total Sales Tax Collections)	22
Table 14 (Growth in Tourism)	23
Table 15 (2004 Retail Inventory)	25
Chart 4 (Median Retail Rental Rates)	26
Map 2 (Retail Centers)	28
Table 17 (Retail Centers)	29

EXECUTIVE SUMMARY

The City of Scottsdale used to be a bedroom community for Phoenix; but in the past 15 years, it has become a net importer of labor. Scottsdale has been, and continues to be an advantageous place for retail centers to establish themselves.

Retailers are attracted to Scottsdale for many reasons, including:

- ◇ Scottsdale's trade area contains a large and growing population of primarily upper-middle-class families. The estimated median household income in Scottsdale was \$63,340 in 2004. Over 42 percent of Scottsdale households have an income over \$75,000. Disposable income averages \$54,168.
- ◇ Significant numbers of tourists, winter residents, and non-resident employees supplement the base resident population.
- ◇ Scottsdale has consistently strong job growth, low unemployment rates, and substantial new home construction.
- ◇ Scottsdale's retail vacancy rate—5.1 percent in 2004—is among the lowest in the Phoenix metro area.
- ◇ Scottsdale retail sales per capita (as measured by sales tax receipts) were \$392 in 2004, the highest in the Metro area.
- ◇ Location is the most significant attribute attracting retailers to Scottsdale

DEVELOPMENT OVERVIEW

Metro Phoenix

The Phoenix metro area is one of the most dynamic, growing areas in the country. The hub of the Southwest, metro Phoenix is one of the nation's largest metro areas (ranked sixth largest city in the nation, by population).

Driving this tremendous growth is a strong, diverse employment sector, with high-tech manufacturing and research, biotechnology, corporate headquarters, tourism, and business services making the foundation of Phoenix' economy.

Some characteristics of the metro Phoenix area include:

- ◇ The Phoenix metro area is one of the fastest growing markets in the United States. From 1995 to 2004, the Metro population grew over 39 percent. The current Phoenix area population is 3,524,175.
- ◇ The unemployment rate in Phoenix in 2004 was 4.1 percent.
- ◇ Tourism is an important part of the Phoenix metro area economy. Phoenix hosted 13.3 million visitors in 2004.

- ◇ In 2004, 22 companies, bringing over 6,900 new jobs, relocated or expanded their operations in the Phoenix metro area.
- ◇ Total retail sales in metro Phoenix in 2004 totaled \$33.3 billion, up 8.3 percent from 2003. The metro Phoenix area accounts for 68 percent of Arizona's retail sales.
- ◇ The retail industry continues to grow, mirroring growth in population and construction in the Metro area.

Scottsdale

Scottsdale has one of the strongest local economies in the Phoenix metro area, with low taxes and excellent services for both residents and businesses, making it a desirable place for retail.

Scottsdale is defined by its unique landscape, its location, its focus on tourism, and its desirability as a place to live and work. Additional characteristics include:

- ◇ Scottsdale's population in 2004 was 226,982.
- ◇ The median household income of Scottsdale residents in 2004 was \$63,340.

Scottsdale (continued)

- ◇ The total assessed value of Scottsdale property is second only to Phoenix in the State. Scottsdale has the highest valuation *per capita* in the Metro area, at \$18,274.
- ◇ Retail sales have grown dramatically over the past ten years. Scottsdale sales tax collections increased 226 percent from 1995 to 2004. Sales tax collected *per capita* in Scottsdale is the highest of any community in the State, at \$392.
- ◇ Scottsdale hosted over 7.4 million visitors in 2004, with an economic impact of \$2.4 billion.
- ◇ Scottsdale is a net importer of employees and is home to a number of diverse economic activities, including corporate headquarters, research and development activities, high-tech services, and medical services.

Development Overview

Table 1 (pg. 8) shows the population growth for eight Metro area communities over the past three decades.

Table 2 (pg. 9) presents the median household income for the same 8 Metro area communities.



Table 1
Population and Growth Rates

Year	Scottsdale	Phoenix	Mesa	Glendale	Chandler	Tempe	Gilbert	Peoria	Metro Area
1975	77,107	668,046	100,086	66,585	20,025	94,300	3,100	8,651	1,217,500
1980	88,364	789,704	152,453	96,988	29,673	106,743	5,717	12,171	1,509,052
1985	108,447	873,400	239,587	122,392	63,817	132,942	16,180	30,324	1,814,700
1990	130,069	983,403	288,091	148,134	90,533	141,865	29,188	50,675	1,952,447
1995	168,176	1,149,417	338,117	182,615	132,360	152,821	59,338	74,565	2,551,765
2000	202,705	1,321,045	396,375	218,812	176,581	158,625	109,697	108,364	2,862,909
2004	221,130	1,416,055	447,130	233,330	220,705	160,820	164,685	132,300	3,524,175
% of Maricopa County in 2004	6.30%	40.20%	12.70%	6.60%	6.30%	4.60%	4.70%	3.80%	100.00%
1975 - 2000 GROWTH RATES									
Absolute Growth	130,038	652,999	296,289	152,227	156,556	64,325	106,549	99,713	1,645,409
Percentage Growth	162.90%	97.70%	296.00%	228.60%	781.80%	68.20%	3438.90%	1152.60%	135.10%
Annual Growth	6.50%	3.90%	1.80%	9.10%	31.30%	2.70%	137.60%	46.10%	5.40%
1990 - 2000 GROWTH RATES									
Absolute Growth	72,636	337,642	108,284	70,678	86,048	16,760	80,509	57,746	910,462
Percentage Growth	55.80%	34.30%	37.60%	47.70%	95.00%	11.80%	275.80%	114.10%	46.60%
Annual Growth	5.60%	3.40%	3.80%	4.80%	9.50%	1.20%	27.60%	11.40%	4.70%

Source: Arizona Department of Economic Security, Population Estimates; Arizona Workforce

Table 2
Median Household Income

City	2000 Median Household Income	1995 Median Household Income	1990 Median Household Income	Growth Rate 2000 vs 1990
Scottsdale	\$57,484	\$48,319	\$39,037	47%
Phoenix	\$41,207	\$32,950	\$29,291	41%
Mesa	\$42,817	\$33,676	\$30,273	41%
Glendale	\$45,015	\$35,483	\$31,665	42%
Chandler	\$58,416	\$46,096	\$38,124	53%
Tempe	\$42,361	\$36,049	\$31,885	33%
Gilbert	\$68,032	\$51,660	\$41,081	66%
Peoria	\$52,199	\$40,820	\$34,205	53%
Metro Area	\$45,358	\$35,623	\$30,797	47%
Scottsdale median income is higher than Metro Area Median Income by:	27%	36%	27%	

Source: Sites USA, 2002 US Census, 1995 Special US Census, 1990 US Census

SCOTTSDALE MARKET ANALYSIS

Demographic Overview

Scottsdale's demographic makeup, economic strength, variety of industry, and low unemployment rate make it a popular place to do business.

Table 3 outlines some of Scottsdale's demographic characteristics.

Table 3
2005 Demographics

	Scottsdale	Metro Phoenix
HOUSEHOLDS		
Total Number	103,350	1,298,577
Average Size	2.18	2.79
AGE BREAKDOWN		
Median Age	39.9	30.7
ETHNICITY		
White	91.2%	78.6%
Black	1.4%	3.8%
Hispanic	12.2%	28.1%
Other	7.3%	17.8%
EDUCATION (Population over 25)		
Less than High School Graduate	6.9%	23.4%
High School Graduate	16.8%	22.9%
Some College	26.4%	24.5%
College Graduate	35.3%	21.7%
Graduate Study or Degree	14.6%	7.5%
HOUSING CHARACTERISTICS		
Total Number of Housing Units	120,641	1,194,461
Type of Dwelling Unit		
Single Family	48.9%	58.4%
Median Home Sales Price	\$291,500	\$206,000
INCOME		
Median Household	\$63,340	\$46,467
Households \$75,000+	42.4%	21.5%

Source: US Census, Sites USA, Arizona Real Estate Center

Employment Overview

Scottsdale has a significant amount of employment concentrated within a relatively small area (184 square miles). Currently, over 166,000 jobs are located in Scottsdale

Scottsdale imports more workers *per capita* than any Valley city except for Tempe. An estimated 36,000 people commute to Scottsdale for work.

Table 4 lists the 25 largest employers in Scottsdale.

Table 5 (pg. 12) presents the 9 major businesses that expanded and/or relocated in Scottsdale in 2004, bringing over 1,200 new jobs to the City .

Table 4
Largest Employers in Scottsdale

Rank	Company Name	Employees
1	Scottsdale Healthcare	4,400
2	General Dynamics	4,000
3	Mayo Clinic - Scottsdale	3,995
4	Scottsdale Unified School District	3,500
5	City of Scottsdale	2,191
6	CareMark (formerly AdvancePCS)	1,636
7	DMS Direct Marketing	1,500
8	Scottsdale Insurance Company	1,300
9	Fairmont Princess Resort	1,200
10	The Vanguard Group	1,120
11	Rural Metro Corporation*	875
12	McKesson	700
13	The Boulders Resort	680
14	USPS - Scottsdale	680
15	Dial Corporation	650
16	JDA Software Group	650
17	Desert Mountain Properties	638
18	First Health Group	610
19	Pegasus Solutions	600
20	E-Telecare Global Solutions	600
21	First National Bank of Arizona	530
22	Nordstroms	525
23	Hyatt Regency at Gainey Ranch	500
24	United Blood Services	498
25	Scottsdale Conference Resort	400

Source: City of Scottsdale

*In July 2005, approximately 250 Rural Metro employees became City of Scottsdale employees, due to contract changes.

Table 5
Scottsdale Assisted Corporate Locations
Fiscal Year 2004/2005

	Name	Location	Type of Business	# of Jobs	Average Wage	Square Footage	Status
1	Pulte Homes	Airpark	Corporate Headquarters	350	\$48,000	150,000	New
2	DHL	Perimeter	Data Center	30	\$75,000	12,000	Expansion
3	V Commerce	Shea Corridor	Technology	11	\$65,000	5,000	New
4	Vanguard	Airpark	Financial Services	700	\$45,000	113,000	Expansion
5	Comercia	Airpark	Financial Services	25	\$45,000	5,000	New
6	Abbot Labs	Airpark	Bio-Industry	12	WND	4,000	New
7	MarketRx	Airpark	Bio-tech/Pharmacy	15	WND	5,000	New
8	Dollar Days International	Airpark	Technology	50	\$50,000	10,000	Expansion
9	Piper Jaffrey	Downtown	Financial Services	50	\$64,000	30,000	New
	TOTALS	-	-	1,243	\$56,000	334,000	-

Note: This list represents successful, new, targeted businesses, which announced new or expanded locations in Scottsdale during the fiscal year (July 1 - June 30) which were assisted by the City of Scottsdale. It does not represent all new employers in Scottsdale.

Tourism Overview

Tourism is an important part of the Scottsdale retail market. In 2004, Scottsdale hosted approximately 7.4 million visitors. Scottsdale visitors tend to be fairly affluent, and spend a significant amount of time and money on shopping and dining.

Scottsdale hosted approximately 7.4 million visitors in 2004 who spent \$2.7 billion (direct and indirect).

Table 6 outlines the impacts of tourism in Scottsdale in 2004.

Table 6
**Impact of Tourism
2004**

	Scottsdale/ Paradise Valley Market Area	Metropolitan Phoenix
HOTEL DATA		
Number of Hotel Rooms Available	14,849	53,000
Annual Average Room Rates	\$134.20	\$97.42
Average Occupancy	66.6%	63.6%
TOURISTS		
Number of Tourists that Visited	7.4 million	13.3 million
Average Length of Stay	5.2 days	4.5 days
Visitors Median Household Income	\$83,800	\$74,076
ECONOMIC IMPACT OF TOURISM		
Visitor Daily Spending by Category		
Lodging	37.0%	n/a
Food & Beverage	25.0%	n/a
Shopping	14.0%	n/a
Local Transportation	9.0%	n/a
Entertainment/Attractions	15.0%	n/a
Average Daily Expenditures Per Person	\$196.18	\$107
Total Visitor Expenditures	\$2.7 billion	\$6.4 billion

Source: City of Scottsdale, Economic Vitality Department; Behavior Research Center; Greater Phoenix Convention and Visitor Bureau; Greater Phoenix Economic Council

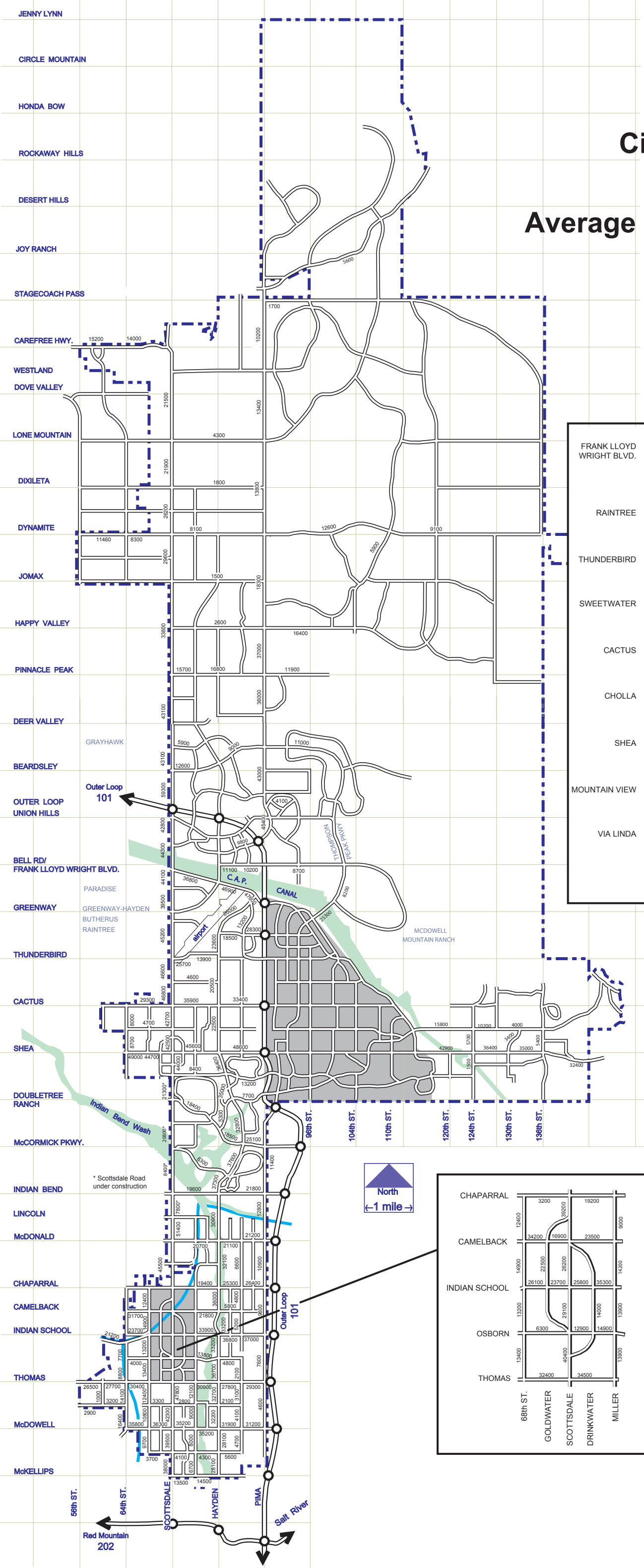
Transportation and Traffic Overview

Scottsdale imports more workers per capita than any Valley city except for Tempe, according to the US Census Bureau. An estimated 36,000 people commute to Scottsdale for work.

The high volume of commuters is a positive effect of the City's focus on bringing businesses to Scottsdale and on creating jobs.

Map 1 lists the average traffic volume for major streets in Scottsdale in 2004.



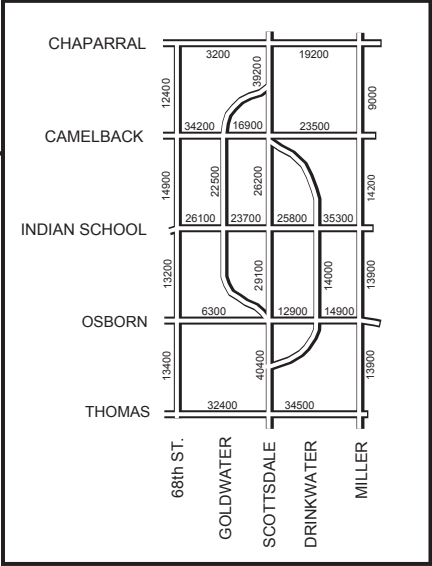
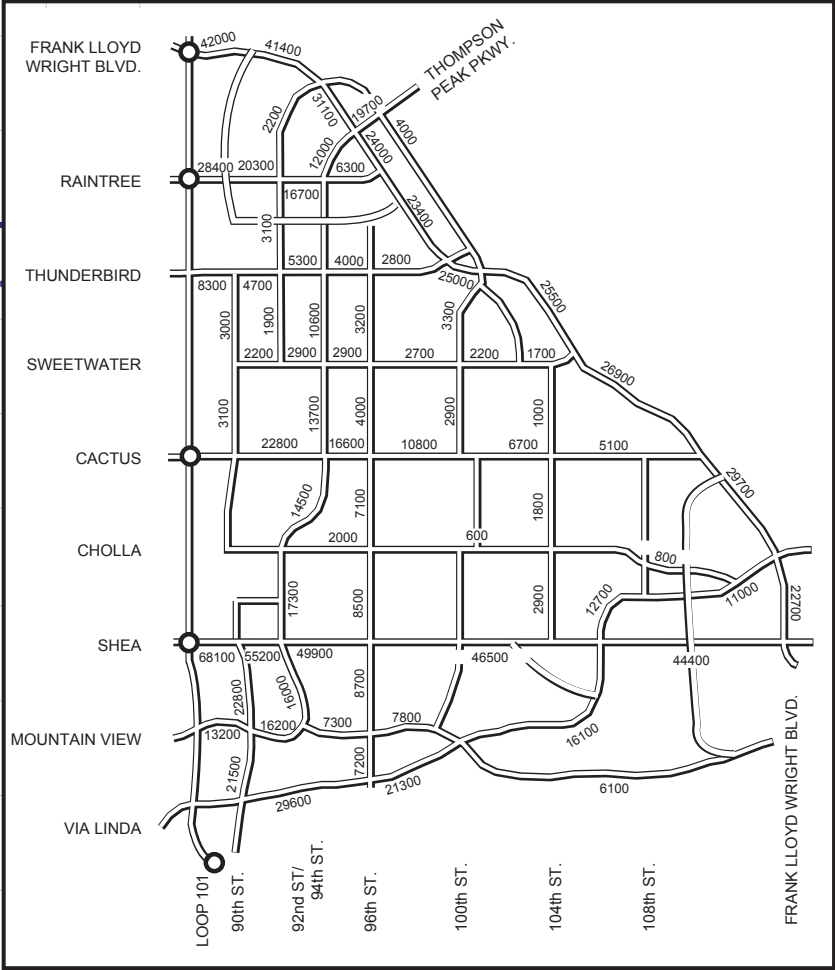


City of Scottsdale

2004

Average Daily Traffic Volumes

SEGMENT



MONTHLY ADJUSTMENT FACTORS	
MONTH	FACTOR
JANUARY	0.98
FEBRUARY	0.96
MARCH	0.94
APRIL	0.95
MAY	0.99
JUNE	1.02
JULY	1.04
AUGUST	1.06
SEPTEMBER	1.04
OCTOBER	1.03
NOVEMBER	1.02
DECEMBER	1.00

ECONOMIC TRENDS

Economic trends—including employment data, labor force characteristics, unemployment rates, building permit valuations, assessed valuations and, sales tax revenues—provide an understanding of the economic nature of a community. This understanding is essential to the success of retail in a community.

Scottsdale Employment Overview

Overall, the employment situation for Scottsdale looks very positive. The industries that employ significant numbers of Scottsdale's residents are the ones that are still growing, such as business services, technology, and tourism. Employment growth will help ensure a continued low unemployment rate.

Between 1995 and 2004, Scottsdale's average unemployment rate ranged from a high of 4.1 percent in 2002, to a low of 1.9 percent in 1998 and 2000.

Table 7 outlines Scottsdale's employment by industry for 2000 and projected for 2010.

Table 7
Scottsdale Employment by Industry

	2000		2010	
	Employment	Percent	Employment	Percent
Agriculture	1,918	1.50%	2,225	1.40%
Business Services	26,848	20.90%	36,081	23.10%
Construction	7,077	5.50%	7,938	5.10%
Finance, Insurance, Real Estate	16,440	12.80%	18,141	11.60%
Health Industry	12,785	9.90%	14,934	9.60%
High Tech Manufacturing	8,138	6.30%	8,762	5.60%
Hospitality	14,652	11.40%	17,900	11.40%
Low Tech Manufacturing	2,985	2.30%	3,639	2.30%
Mining	122	0.10%	123	0.08%
Personal Services	8,446	6.60%	10,600	6.80%
Retail Trade	18,725	14.50%	23,507	15.00%
Transport	3,842	3.00%	4,038	2.60%
Wholesale Trade	6,674	5.20%	8,378	5.40%
TOTAL	128,652	100.00%	156,267	100.00%

Source: Gruen Gruen & Associates, "Analysis & Forecast of the Economic Base of Scottsdale," June 1999

Scottsdale Employment Overview (continued)

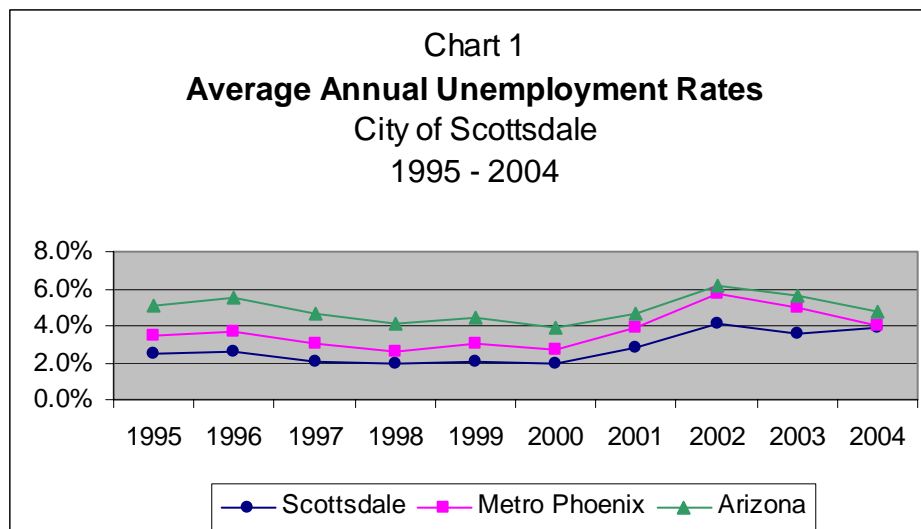
Scottsdale's unemployment rate parallels metro Phoenix' and Arizona's rates, but has consistently been approximately 30 percent lower than the unemployment rate for the Phoenix metro area, and over 40 percent lower than the State's unemployment rate. *Table 8* and *Chart 1* reflect this trend.

Between 1995 and 2004, Scottsdale's average unemployment rate ranged from a high of 4.1 percent in 2002, to a low of 1.9 percent in 1998 and 2000.

Table 8
Average Annual Unemployment Rates
City of Scottsdale
1995 - 2004

Year	Scottsdale	Metro Phoenix	Arizona
1995	2.5%	3.5%	5.1%
1996	2.6%	3.7%	5.5%
1997	2.1%	3.0%	4.6%
1998	1.9%	2.6%	4.1%
1999	2.1%	3.0%	4.4%
2000	1.9%	2.7%	3.9%
2001	2.8%	3.9%	4.7%
2002	4.1%	5.7%	6.2%
2003	3.6%	5.0%	5.6%
2004	3.9%	4.0%	4.8%

Source: Arizona Department of Economic Security;
Arizona Workforce



Job Growth vs. Labor Force & Population Growth

One method by which the economic vitality of a city is measured is by comparing rates of job growth with labor force growth and overall population growth, as is done in *Table 9*. Between 1990 and 2000, Scottsdale experienced a 30 percent increase in job growth (jobs physically located within the City); while the Metro area experienced an overall job increase of 29 percent. During the same time period, Scottsdale's labor force (persons between 18 and 65 years of age, who live in the City and are employed or actively seeking employment) grew by 30 percent; while the Metro area's population grew 28 percent.

In 1995, there were more jobs located in Scottsdale than there was a local labor force (1.23 jobs per Scottsdale resident in the labor force). In contrast, the Phoenix metro area had a jobs to labor force ratio of 0.97 percent. Job growth and labor force growth in metro Phoenix were both greater than population growth, though job growth in Scottsdale exceeded both population growth and job growth for the period.

Table 9
Job Growth, Labor Force Growth, and
Population Growth

	Year	Scottsdale	Maricopa County
JOB GROWTH	1990	88,967	1,027,007
	1995	118,551	1,276,057
	2000	126,918	1,454,181
	% Change 1990 - 2000	43%	42%
LABOR FORCE GROWTH	1990	72,793	1,074,542
	1995	90,579	1,308,729
	2000	103,407	1,489,292
	% Change 1990 - 2000	30%	39%
POPULATION GROWTH	1990	130,069	2,122,101
	1995	168,176	2,551,765
	2000	202,705	3,072,149
	% Change 1990 - 2000	56%	45%
Ratio of Jobs to Labor Force:		1.23 to 1	0.97 to 1

Source: Arizona Department of Economic Security, City of Scottsdale Economic Vitality Department

Building Permit Valuations

The total value of building permits granted in Scottsdale in 2004 was \$771.2 million. In 2004, Scottsdale permitted nearly 6 percent of the Metro area's building permit valuation.

Scottsdale is approaching build-out, so a slowdown in building permits is expected in the coming years.

The total value of building permits in Scottsdale in 2004 was \$771 million.

Table 10 compares the value of building permits in Scottsdale to those in Maricopa County for the past 10 years.

Table 10
Value of Building Permits: 1995 - 2004

Calendar Year	Scottsdale	Maricopa County	Scottsdale's Percentage
1995	\$788,060,046	\$5,440,364,000	14.5%
1996	\$790,858,919	\$6,798,341,000	11.6%
1997	\$1,095,205,453	\$7,153,345,000	15.3%
1998	\$1,431,771,972	\$8,477,796,000	16.9%
1999	\$1,130,304,322	\$8,324,511,000	13.6%
2000	\$939,402,365	\$8,665,613,000	10.8%
2001	\$820,362,000	\$9,332,597,000	8.8%
2002	\$610,594,653	\$6,751,142,000	9.0%
2003	\$637,735,176	\$7,039,184,000	9.1%
2004	\$771,213,608	\$12,985,104,000	5.9%

Source: City of Scottsdale, Planning & Development; Maricopa County Department of Finance

Assessed Valuations

The secondary assessed valuation of property in Scottsdale has risen from \$1.4 billion in Fiscal Year 1994/95 to \$3.9 billion in Fiscal Year 2003/04. Scottsdale is second only to the City of Phoenix in assessed valuation in the State of Arizona.

Increases in assessed valuation since FY1994/95 reflect a healthy, stable valuation environment, coupled with new construction activity. Scottsdale should continue to see valuation increases.

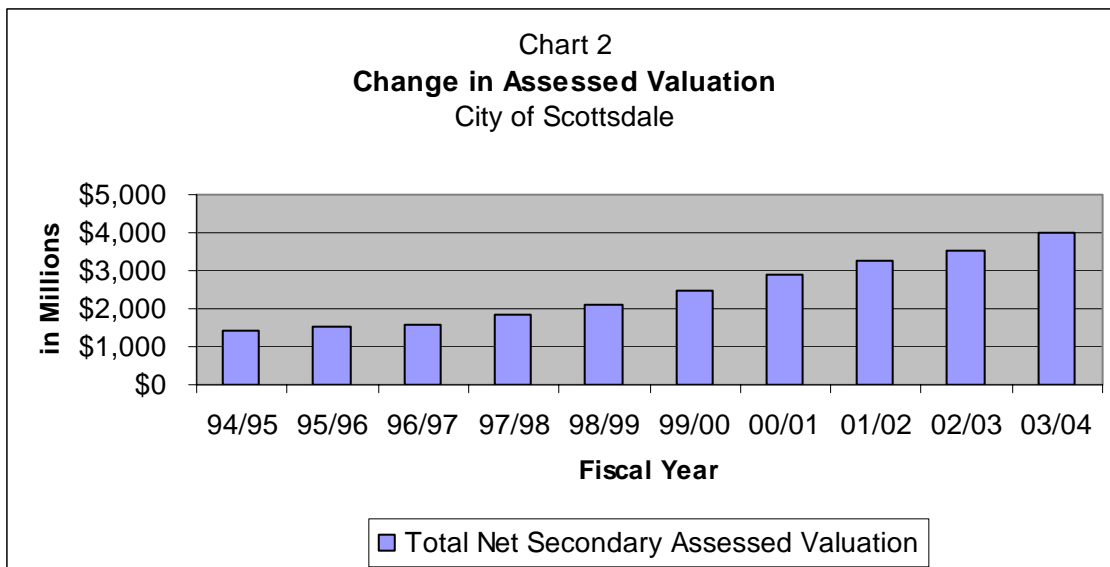
Table 11 and *Chart 2* reflect the changes in assessed valuation over the past 10 years.

Table 11
Change in Assessed Valuation
City of Scottsdale
Fiscal Year 1994/1995 - 2003/2004

Fiscal Year	Total Net Secondary Assessed Valuation	Percent Change
1994/1995	\$1,399,126,000	3.40%
1995/1996	\$1,530,088,317	9.40%
1996/1997	\$1,591,800,942	4.00%
1997/1998	\$1,839,090,230	15.50%
1998/1999	\$2,102,351,943	14.30%
1999/2000	\$2,469,628,670	17.50%
2000/2001	\$2,877,733,056	16.50%
2001/2002	\$3,277,950,767	13.90%
2002/2003	\$3,526,604,612	7.60%
2003/2004	\$3,975,522,083	12.70%
% Change FY94/95 - FY03/04		35.20%

Source: City of Scottsdale, Financial Services Department

Notes: Arizona secondary assessed valuations reflect the "full cash" value of property; there are no restrictions on the growth rate of the values. As a comparison, primary assessed valuations are restricted in their growth rate. Secondary assessed valuations are used in this study, as they more accurately reflect actual market conditions.



Sales Tax Overview

Sales Tax Collections

Sales tax collections are very important to Scottsdale because the City receives a far greater percentage of revenue from sales taxes than from other revenue sources (refer to *Table 12*).

Table 12
Growth in Sales Tax Collections
City of Scottsdale
Fiscal Years 1994/1995 - 2003/2004
(compared on an adjusted 1% rate basis)

Fiscal Year	Sales Tax Collections	% Change
1994/1995	\$52,237,294	16.20%
1995/1996	\$66,827,503	27.90%
1996/1997	\$74,729,359	11.80%
1997/1998	\$84,825,508	13.50%
1998/1999	\$97,780,147	15.30%
1999/2000	\$108,033,945	10.50%
2000/2001	\$113,538,992	5.10%
2001/2002	\$111,760,545	-1.60%
2002/2003	\$110,813,432	-0.90%
2003/2004	\$118,271,696	6.70%

Source: City of Scottsdale, Financial Services Department

Sales Tax Collection Comparisons

Table 13 (pg. 22) and *Chart 3* (pg. 22) present each of the major Metro area cities' sales tax collections since FY95/96. Tax rates have changed for each city in the last decade.

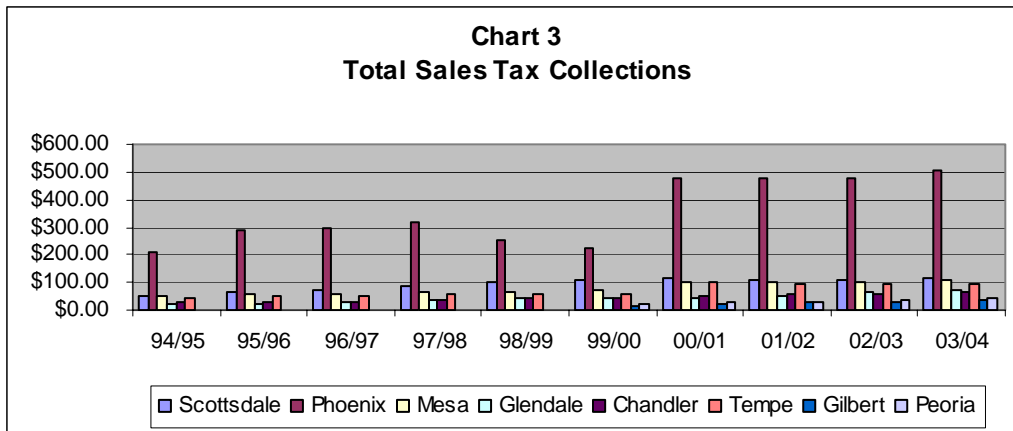
- ◇ Scottsdale's sales tax rate was increased from 1.2 percent to 1.4 percent in July 1995, and was then raised to 1.65 percent in July 2004.
- ◇ Phoenix' sales tax rate rose from 1.3 percent to 1.4 percent in November 1998; and, as of June 2000, climbed to 1.8 percent.
- ◇ Tempe's sales tax rate was 1.2 percent until FY95/96, and has been 1.8 percent since January 2002.
- ◇ Mesa's sales tax rate was 1.0 percent until August 1998, when it increased to 1.5 percent.
- ◇ Chandler's tax rate was raised from 1.0 percent to 1.5 percent in May 1994.
- ◇ Gilbert's sales tax rate has been 1.5 percent since sales tax revenue began to be recorded in FY99/00.
- ◇ Peoria's sales tax rate has been 1.5 percent since sales tax revenue began to be recorded in FY99/00.

Scottsdale's sales tax collections for FY2003/2004 (the most recent data available) totaled \$118.3 million, second only to Phoenix' sales tax collections.

Table 13
Total Sales Tax Collections (millions)
 Fiscal Year 1994/1995 - 2003/2004

Fiscal Year	Scottsdale	Phoenix	Mesa	Glendale	Chandler	Tempe	Gilbert	Peoria
1994/1995	\$52.20	\$209.90	\$50.10	\$23.60	\$27.80	\$45.70	n/a	n/a
1995/1996	\$68.10	\$288.40	\$54.60	\$24.90	\$30.10	\$48.40	n/a	n/a
1996/1997	\$75.70	\$296.30	\$57.40	\$32.30	\$32.20	\$50.80	n/a	n/a
1997/1998	\$85.90	\$317.80	\$62.90	\$36.50	\$35.00	\$56.70	n/a	n/a
1998/1999	\$98.30	\$254.40	\$66.40	\$39.80	\$41.40	\$57.50	n/a	n/a
1999/2000	\$108.10	\$223.80	\$70.70	\$42.90	\$44.40	\$60.50	\$15.80	\$22.50
2000/2001	\$113.50	\$480.50	\$102.30	\$44.60	\$50.50	\$98.90	\$25.10	\$26.20
2001/2002	\$111.70	\$477.00	\$102.60	\$51.60	\$57.70	\$94.60	\$28.70	\$29.10
2002/2003	\$110.80	\$478.60	\$98.90	\$63.70	\$58.00	\$92.70	\$29.34	\$35.90
2003/2004	\$118.30	\$504.30	\$105.40	\$74.80	\$64.81	\$95.70	\$34.90	\$40.50

Source: City of Scottsdale, Financial Services Department and Economic Vitality Department



Tourism Overview

The tourism industry is a very important part of retail economic activity in the City of Scottsdale, generating over \$2.7 billion in total economic activity—much of it through retail purchases—within the community in 2004.



Table 14
Growth in Tourism
 1995 - 2004 Scottsdale/Paradise Valley Market Area

Year	Hotel Room Inventory	Average Room Rate	Average Occupancy	Scottsdale Bed Tax Collections*
1995	8,867	\$123.28	76.30%	\$5,185,043
1996	9,197	\$130.60	73.50%	\$5,986,818
1997	10,527	\$136.25	72.10%	\$6,623,443
1998	11,061	\$138.40	67.90%	\$6,878,352
1999	12,755	\$136.56	63.50%	\$6,626,425
2000	13,150	\$140.53	64.30%	\$7,619,693
2001	13,248	\$143.34	59.70%	\$7,276,496
2002	15,092	\$133.63	60.30%	\$6,846,846
2003	15,484	\$130.84	62.20%	\$6,713,203
2004	14,849	\$134.20	66.60%	\$7,439,590

Source: Smith Travel Research; City of Scottsdale, Economic Vitality Department

* = Bed tax collection figures represent Scottsdale hotels *only*

METRO AREA RETAIL TRENDS

Metro Phoenix Retail Inventory

Vacancy in the metro Phoenix retail market decreased from 5.9 percent in 2003 to 5.1 percent in 2004 for several reasons. Construction of neighborhood centers and power centers continued throughout metro Phoenix, following the demand created by residential growth. The construction of the Loop 101 freeway increased the development of retail centers in North Scottsdale and Phoenix along the freeway corridor. And the economy, which was adversely affected by the events of 9/11 has recovered.

Scottsdale market area retail space inventory stood at over 14 million square feet in 2004, making up 13.7 percent of the Metro area's retail inventory. Construction of retail space increased in 2004, and Scottsdale is expected to maintain a high demand for retail centers in 2005.

Table 15 (pg. 25) lists characteristics of retail inventories—including vacancy rates, square footage, and asking rent—for metro Phoenix area communities.

Metro Phoenix Retail Rental Rates

Average asking rental rates in Scottsdale in 2004 ranged from an average of \$20 per square foot for neighborhood and strip centers, to an average of \$98 per square foot for regional space. The average rental rates for all categories of retail space were generally higher in Scottsdale than in other Metro areas, reflecting the strength of Scottsdale's retail market (refer to *Table 16*, pg. 26).

Average rental rates are generally higher in Scottsdale than in other Metro area communities, reflecting Scottsdale's strength in the retail market.

Table 15
2004 Retail Inventory

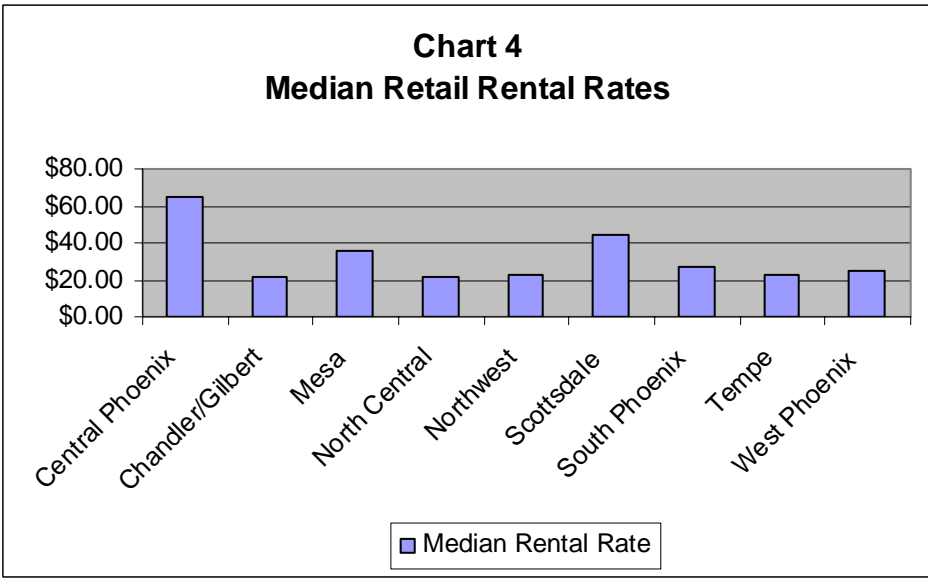
By Submarket (All Types)	Total SF(1)	Vacant SF	Vacant %	2H04 Net Absorption	Year To Date	Under Construction(2)	Asking Rent Low-High(3)
Northwest							
Regional	3,966,400	12,800	0.3%	15,320	10,800	-	\$10-\$35
Neighborhood	10,654,459	598,616	5.6%	459,271	467,727	110,000	\$3-\$40
Power	5,764,626	408,816	7.1%	(62,491)	279,348	275,000	\$5-\$26
Strip	1,091,566	108,228	9.9%	29,457	(4,571)	67,242	\$6-\$36
Subtotal	21,477,051	1,128,460	5.3%	441,557	753,324	452,242	
West Phoenix							
Regional	967,100	-	-	-	176,608	-	-
Neighborhood	5,262,446	287,847	5.5%	69,666	469,018	290,347	\$6-\$38
Power	2,906,700	150,640	5.2%	519,560	597,259	650,000	\$6-\$30
Strip	360,741	12,969	3.6%	17,422	(3,609)	27,000	\$5.50-\$24
Subtotal	9,496,987	451,456	4.8%	606,648	1,239,276	967,347	
North Central							
Regional	1,446,300	-	-	25,530	25,530	-	-
Neighborhood	5,291,993	486,010	9.2%	72,062	98,240	-	\$6-\$30
Power	1,479,200	64,034	4.3%	25,237	27,040	791,157	\$15-\$32
Strip	992,265	110,161	11.1%	(5,930)	(15,344)	45,914	\$7.50-\$30
Subtotal	9,209,758	660,205	7.2%	116,899	135,466	837,071	
Central Phoenix							
Regional	1,147,800	-	-	56,333	56,333	-	-
Neighborhood	3,554,368	190,097	5.3%	125,228	43,264	-	\$5-\$44
Power	2,901,200	31,706	1.1%	11,604	14,582	-	\$12-\$120
Strip	869,690	47,794	5.5%	30,823	19,719	71,929	\$9-\$35
Specialty	312,800	-	-	11,775	-	-	\$12-\$20
Subtotal	8,785,858	269,597	3.1%	235,763	133,898	71,929	
South Phoenix							
Neighborhood	987,489	86,002	8.7%	67,703	51,648	175,000	\$13.50-\$25
Power	365,000	12,063	3.3%	352,937	352,937	-	\$24-\$26
Strip	64,522	3,600	5.6%	1,400	(3,600)	-	\$16-\$16
Subtotal	1,417,011	101,665	7.2%	422,040	400,985	175,000	
Scottsdale							
Regional	2,060,800	-	-	-	5,876	-	-
Neighborhood	6,421,199	450,971	7.0%	47,109	186,785	-	\$10-\$35
Power	4,324,501	192,907	4.5%	157,174	255,734	-	\$9-\$42
Strip	903,518	59,126	6.5%	(3,988)	(6,716)	24,100	\$9-\$32
Specialty	615,800	20,058	3.3%	(1,841)	1,228	-	\$30-\$70
Subtotal	14,325,818	723,062	5.0%	198,454	442,907	24,100	
Tempe							
Regional	1,501,900	-	-	-	-	-	\$13-\$13.59
Neighborhood	4,512,938	206,770	4.6%	50,614	(4,692)	-	\$6-\$24
Power	1,034,072	78,843	7.6%	25,284	81,296	-	\$8-\$24
Strip	837,265	64,391	7.7%	13,969	(23,121)	-	\$8-\$20
Specialty	381,400	39,713	10.4%	(301)	(26,276)	-	\$22-\$32
Subtotal	8,267,575	389,717	4.7%	154,566	92,207	-	
Mesa							
Regional	2,805,000	-	-	31,415	29,142	-	\$30-\$60
Neighborhood	9,269,750	654,909	7.1%	158,241	291,822	-	\$6-\$28
Power	3,052,693	146,847	4.8%	833	336,249	-	\$13-\$34
Strip	1,654,454	236,593	14.3%	(14,065)	(117,420)	25,000	\$9.60-\$27
Subtotal	16,781,897	1,038,349	6.2%	176,424	539,793	25,000	
Chandler/Gilbert							
Regional	1,718,100	70,970	4.1%	385	11,143	1,250,000	\$5-\$60
Neighborhood	8,579,954	396,171	4.6%	361,362	328,252	716,936	\$6.60-\$28
Power	3,492,152	45,500	1.3%	(12,673)	(3,201)	1,450,000	\$13-\$34
Strip	1,261,852	98,150	7.8%	38,323	63,335	76,960	\$9.60-\$27
Subtotal	15,052,058	610,791	4.1%	387,397	399,529	3,493,896	
By Type (All Submarkets)							
Regional	15,613,400	83,770	0.5%	193,983	380,452	1,250,000	\$5-\$60
Neighborhood	54,534,596	3,357,393	6.2%	1,411,256	1,932,064	1,292,283	\$3-\$44
Power	25,320,144	1,131,356	4.5%	1,017,465	1,941,244	3,166,157	\$5-\$120
Strip	1,310,000	59,771	4.6%	9,633	(25,048)	-	\$12-\$70
Specialty	8,035,873	741,012	9.2%	107,411	(91,327)	338,145	\$5.50-\$36
Total	104,814,013	5,373,302	5.1%	2,739,748	4,137,385	6,046,585	\$3-\$125

(1) Inventory includes speculative multi-tenant buildings greater than 20,000 SF (excludes medical, owner occupied and other specialized buildings).

(2) Space under construction includes speculative for lease projects.

(3) Asking rates are per square foot per year triple net.

Source: Grubb & Ellis



Source: Grubb & Ellis

Scottsdale Retail Centers

Map 2 (pg. 28) shows where the retail centers in Scottsdale are located. *Table 17* (pg. 29) lists Scottsdale's existing retail facilities, as well as a few retail centers located in neighboring communities adjacent to City boundaries.



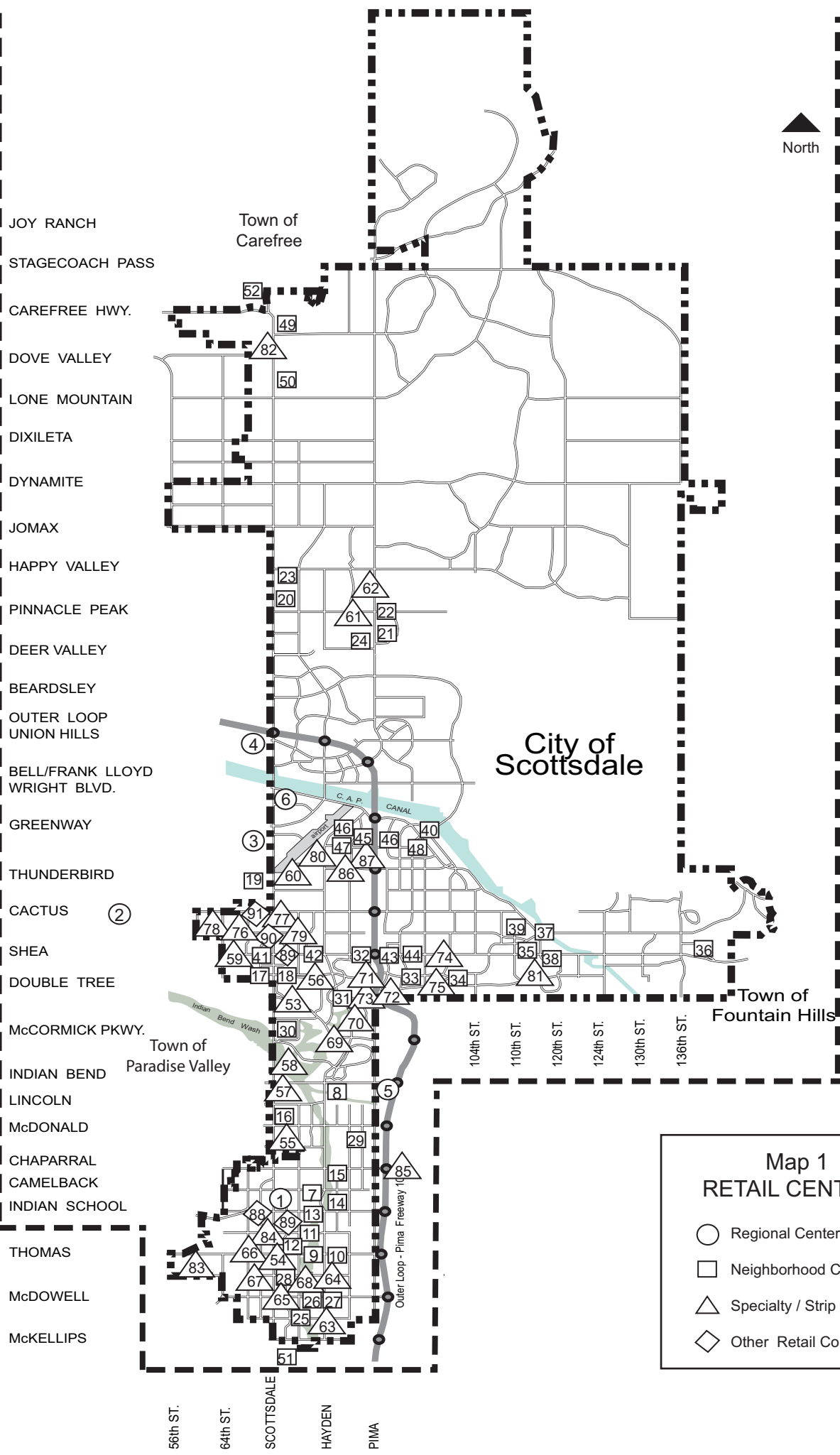


Table 17
Scottsdale Area Retail Centers
2004

REGIONAL CENTERS							
Map Key	Center Name	Location/ Jurisdiction	Zip Code	Year Built	Type of Retail Center	Square Footage	Anchors
1	Scottsdale Fashion Square	Camelback & Scottsdale / Scottsdale	85251		Enclosed Mall	1,900,000	Dillards, Macy's, Nordstrom, Neiman Marcus
2	Paradise Valley Mall	Tatum & Cactus / Phoenix	85254		Enclosed Mall	1,350,000	Dillards, Macys, Robinsons-May, JCPenny, Sears
3	Kierland Commons	Greenway & Scottsdale / Phoenix	85254	2000	Office/Retail Center	400,000	Barnes & Noble, Crate & Barrel, PF Chang's, Cheesecake Factory, J Crew, Tommy Bahama, Victoria's
4	Scottsdale 101	Scottsdale & Loop 101 / Phoenix	85254	2003	Mixed Use	600,000	Expo Design Center, Borders, Sportmart, Babies R Us, Bed Bath & Beyond, Harkins Cine Capri
5	Scottsdale Pavillions	Pima & Indian Bend / Salt River Pima Maricopa Indian Community	85256		Power Center	1,090,327	Home Depot, Target, Mervyns, Ross, UA Cinemas, Best Buy
6	Scottsdale Promenade	Scottsdale & Frank Lloyd Wright / Scottsdale	85260	2004	Mixed Use	720,000	Lowe's, The Great Indoors, Old Navy, PetsMart, Linens N Things

ANCHORED RETAIL CENTERS (30,000+ sq. ft.)						
Map Key	Center Name	Location/ Jurisdiction	Zip Code	Year Built	Square Footage	Anchors
7	Chaparral Plaza	Hayden & Chaparral / Scottsdale	85250	1980	87,584	Safeway
8	Gateview Park	Indian Bend & Hayden / Scottsdale	85250	1994	105,000	Albertson's, Osco
9	Indian River Plaza	Hayden & Thomas / Scottsdale	85251	1979	87,084	Osco, 99 Cent Only
10	Hayden Thomas Center	Hayden & Thomas / Scottsdale	85251	1971	59,524	World Gym
11	Office Max Plaza	Osborn & Hayden / Scottsdale	85251	1981	76,435	Office Max, Big 5
12	Walgreens-Staples Center	Osborn & Scottsdale / Scottsdale	85251	1994	45,000	Walgreens, Staples
13	The Continental Bazar	Indian School & Hayden / Scottsdale	85251	1960	64,110	Basha's, Walgreens
14	Miller Plaza	Miller & Indian School / Scottsdale	85251	1975	120,000	Fry's
15	Camelback Miller Plaza	Miller & Camelback / Scottsdale	85251	1979	178,271	Osco, TJ Maxx, Sunflower Market
16	Lincoln Plaza	Lincoln & Scottsdale / Scottsdale	85253	1974	65,906	AJ's Fine Foods, Osco
17	Checker Village	Scottsdale & Gold Dust Ave / Scottsdale	85253	1978	88,900	Checker Auto, Hancock Fabrics, Pure Fitness
18	Wild Oats Plaza	Shea & Scottsdale / Scottsdale	85254	1980	82,362	Wild Oats Market, Pierre's Pastry Café
19	East Thunderbird Square	Thunderbird & Scottsdale / Phoenix	85254	1987	170,738	Smart & Final, Ashley Furniture
20	The Pinnacle of Scottsdale	Scottsdale & Pinnacle Peak / Scottsdale	85255	1991	118,510	Safeway, Pleasantries, Ace Hardware
21	Desert Village Shopping Center	Pinnacle Peak & Pima / Scottsdale	85255	1996	117,385	AJ's Fine Foods, Osco
22	La Mirada Center	Pinnacle Peak & Pima / Scottsdale	85255	1996	113,480	Walgreens
23	Grayhawk Plaza	Grayhawk & Scottsdale / Scottsdale	85255	2001	154,000	Basha's, Walgreens, Tutor Time
24	Market Street at DC Ranch	Pima & Thompson Peak / Scottsdale	85255	2003		Safeway
25	Los Arcos Crossing	74th St & McDowell / Scottsdale	85257	1975	124,349	Basha's, Osco, Auto Zone
26	Fountain Plaza	McDowell & 77th St / Scottsdale	85257	1980	105,991	Fry's, Dollar Tree
27	Lowes Plaza	Hayden & McDowell / Scottsdale	85257	1963	147,061	Under Construction
28	Scottsdale Crossings	Thomas & Scottsdale / Scottsdale	85257	1991	119,467	Albertson's, Ace Hardware
29	Park Scottsdale Shopping Center	McDonald & Granite Reef / Scottsdale	85258	1964	100,698	Basha's, Walgreens
30	Paseo Village	Hayden & McCormick / Scottsdale	85258	1975	94,115	Scottsdale Library Branch, My Gym
31	Mountain View Plaza	Hayden & Mountain View / Scottsdale	85258	1984	67,904	Children's Fitness
						US Bank, Burger King
						Fry's, Home Depot, Barnes & Noble, CompUSA, Office Max, PetsMart, Linens N Things
32	Scottsdale Fiesta	Pima & Shea / Scottsdale	85258	1991	514,500	

ANCHORED RETAIL CENTERS (30,000+ sq. ft.) CONTINUED						
Map Key	Center Name	Location/ Jurisdiction	Zip Code	Year Built	Square Footage	Anchors
33	Fry's Marketplace Center	Pima & Via Linda / Scottsdale	85258	1985	110,990	Fry's Marketplace
34	Mercado at Scottsdale Ranch	Mountain View & Via Linda / Scottsdale	85258	1987	120,500	AJ's Fine Foods, Walgreens
35	Ancala Village	Via Linda & Frank Lloyd Wright / Scottsdale	85259	1992	102,759	Safeway
36	Saddle Mountain Plaza	Via Linda & 136th St / Scottsdale	85259	2000	42,230	Basha's, Sonoran Luxury Properties
37	Sierra Crossings	Via Linda & Frank Lloyd Wright / Scottsdale	85259	1990s	34,000	Walgreens, Tutor Time
38	Albertson's/Osco Village	Via Linda & Frank Lloyd Wright / Scottsdale	85259	1993		Albertson's, Osco
39	Adobe Ranch Plaza	Shea & Frank Lloyd Wright / Scottsdale	85259	1998	76,000	Osco
40	McDowell Mountain Village	Frank Lloyd Wright & Thompson Peak / Scottsdale	85259	2002		Walgreens, AJ's Grocer
41	Shea Scottsdale Center	Shea & Scottsdale / Scottsdale	85260	1980	166,000	Safeway, Osco
42	Shea Scottsdale East	Shea & 74th St / Scottsdale	85260	1995	130,000	Harkin's Theaters
43	Pima Crossing	Pima & Shea / Scottsdale	85260	1993	269,046	Paddock Pools, Bally Fitness, Stein Mart, Pier 1 Imports
44	Mercado del Rancho	Shea & 92nd St / Scottsdale	85260	1985	104,286	Chompie's Bagels, Sprouts Farmers Market
45	Northsight Village	Northsight & Hayden / Scottsdale	85260	1998	108,000	Home Depot, Ultimate Electronics
46	Scottsdale Towne Center	Frank Lloyd Wright & Pima / Scottsdale	85260	1994	307,835	Target, Albertson's, TJ Maxx, Ross
47	Sonora Village	Frank Lloyd Wright & Hayden / Scottsdale	85260	1996	278,753	Fry's, Staples
48	Scottsdale Horizon Shopping Center	Frank Lloyd Wright & Thompson Peak / Scottsdale	85260	1997	156,636	Safeway, Osco
49	Terravita Marketplace	Scottsdale & Carefree Hwy / Scottsdale	85262	1996	105,808	Albertson's, Walgreens
50	The Summit at Scottsdale	Scottsdale & Asher Hills / Scottsdale	85262	2002	325,000	Safeway, Target
51	Sun Plaza	Scottsdale & McKellips / Tempe	85281	1977	77,810	Sun Foods, Big Lots
52	Carefree Court	Carefree Dr & Tom Darlington / Carefree	85377	1988	84,248	Basha's, Ace Hardware

SPECIALTY STRIP CENTERS (30,000+ sq. ft.)						
Map Key	Center Name	Location/ Jurisdiction	Zip Code	Year Built	Square Footage	
53	Hilton Village	Scottsdale & McDonald / Scottsdale	85250	1982	93,038	
54	Plaza 777	Scottsdale & Earl / Scottsdale	85251	1970	40,547	
55	Borgata of Scottsdale	Scottsdale & Rose / Scottsdale	85253	1981	88,000	
56	The Shops at Gainey Village	Scottsdale & Doubletree / Scottsdale	85253	2001	138,400	
57	Lincoln Village Shops	Lincoln & Scottsdale / Scottsdale	85253	1979	54,767	
58	Scottsdale Seville	Scottsdale & Indian Bend / Scottsdale	85253	1990	89,000	
59	Acacia Creek Village	Gold Dust & Scottsdale / Scottsdale	85253	1996	39,600	
60	The Plaza	Scottsdale & Thunderbird / Phoenix	85254	1985	73,197	
61	Pinnacle Peak Village / Plaza de Alamos	Pima & Pinnacle Peak / Scottsdale	85255	1974	60,000	
62	The Citadel	Pima & Pinnacle Peak / Scottsdale	85255	1991	40,000	
63	Scottsdale East Plaza	Hayden & Roosevelt / Scottsdale	85257	1971	30,400	
64	Plaza del Rio	McDowell & Miller / Scottsdale	85257	1985	37,200	
65	Papago Plaza	McDowell & Scottsdale / Scottsdale	85257	1960	124,744	
66	Scottsdale Oak Plaza	Scottsdale & Oak / Scottsdale	85257	1980	35,889	
67	Scottsdale Plaza	Scottsdale & Oak / Scottsdale	85257	1962	43,958	
68	Wilshire Plaza	Scottsdale & Wilshire / Scottsdale	85257	1979	40,028	
69	Village at Hayden	Via de Ventura & Hayden / Scottsdale	85258	1986	152,497	
70	Mercado del Lago	Hayden & Royal Palms / Scottsdale	85258	1982	61,025	
71	Via Linda Place	90th St & Via Linda / Scottsdale	85258	1986	63,570	
72	The Milieu	Via Linda & Pima / Scottsdale	85258	1985	114,476	
73	The Village at Via Linda	90th St & Via Linda / Scottsdale	85258	1985	39,314	
74	Ranch Auto Center	San Victor & 90th St / Scottsdale	85258	1985	63,000	
75	Ranch Center	San Victor & 90th St / Scottsdale	85258	1985	54,942	
76	Scottsdale Promenade	Shea & 70th St / Scottsdale	85258	1988	136,000	
77	Agua Caliente	Shea & 70th St / Scottsdale	85258	1987	48,099	
78	Fountain Plaza	Shea & 70th St / Scottsdale	85258	1988	32,312	
79	The Courtyard Shops	Shea & 92nd St / Scottsdale	85260	1987	43,722	
80	Scottsdale Design Center	Hayden & 83rd Pl / Scottsdale	85260	1986	59,943	
81	Palo Verde Square	Frank Lloyd Wright & Desert Mtn / Scottsdale	85260	1999	40,000	
82	El Pedregal & Tohono Center	Scottsdale & Carefree Hwy / Scottsdale	85262	1988	63,200	

Table 17 (continued)

FREESTANDING STORES (30,000+ sq. ft.)						
Map Key	Center Name	Location/ Jurisdiction	Zip Code	Year Built	Square Footage	
83	Fry's	Thomas & 61st Pl / Scottsdale	85251	1977	104,335	
84	Popular Outdoors Center	Thomas & Scottsdale / Scottsdale	85251	1960	44,012	
85	Wal-Mart Center	Chaparral & Pima / Salt River Pima Maricopa Indian Community	85256	1994	125,000	
86	Costco	Hayden & 83rd Pl / Scottsdale	85260	1987	112,000	
87	Wal-Mart Supercenter/Sam's Club	Northsight & Raintree / Scottsdale	85260	2000	1,251,222	

Table 17 (continued)

RETAIL CONCENTRATIONS						
Map Key	Center Name	Location/ Jurisdiction	Zip Code	Year Built	Square Footage	Type of Retail
88	Fifth Ave District	N of Indian School, W of Scottsdale, SW of Arizona Canal / Scottsdale	85251	1950/60s	393,000	Specialty, tourist-oriented retail
89	Main St / Old Town District	S of Indian School, E of 70th St, W of Civic Center Dr / Scottsdale	85251	1950/60s	477,000	Specialty, tourist-oriented retail
90	Windmill Plaza	Scottsdale & Shea / Scottsdale	85260	1980s	180,000	Specialty, neighborhood retail
91	Sundown Plaza	Scottsdale & Shea / Scottsdale	85260	1980	100,000	Specialty, neighborhood retail

RETAIL SITE INFORMATION

Locations for retail shops are available, as well as opportunities for the development of new retail centers and/or the renovation of existing facilities. These sites are located throughout the City, both in established neighborhoods and in developing areas. Additional information about specific locations—with or without existing retail structures—within Scottsdale is available from the City of Scottsdale's Economic Vitality Department.

If you would like information about potential sites, or other retail-related information, please feel free to contact the Economic Vitality department:

7447 E. Indian School Rd, Ste. 200

Scottsdale, AZ 85251

Phone: (480) 312-7989

Fax: (480) 312-2672

